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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis,

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Cuba:
Nuclear Power Woes

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Cuba has made remarkably little progress on its first nuclear power plant, under construction since 1981 at Cienfuegos on the southern coast. The Soviet-designed plant, scheduled eventually to contain up to four 440-megawatt (Mw) reactors, is being built with Soviet and East European aid. In the past 18 months, foundations for two reactor containment buildings have been completed, but neither building is more than a few meters high. Equally telling, the construction support yard—normally full of materiel at a nuclear power plant construction site—is virtually empty. No one factor appears responsible for this slow construction pace.

We believe Cuba's apprehension over its ability to operate the plant and successfully integrate it into the national power grid. For the time being, the Cubans probably prefer maintaining the plant in an "under construction" status, thereby enjoying at least some international prestige as a prospective member of the nuclear power club.

We believe Cuban planners cannot help but be concerned that their nuclear power plant will be more a headache than a boon. Even if the plant can be operated reliably, most US power experts would agree that the large electrical output of the units at the Cienfuegos plant, relative to the overall electrical output of the Cuban power grid, will seriously jeopardize the grid's reliability. In 1983 Cuba reportedly produced 10.5 million Mw-hours of electricity, equivalent—on average—to the continuous production of 1,200 Mw over the course of a year. If one of the 440-Mw units at the Cienfuegos nuclear power plant were operating today, it would provide an average of 30 to 40 percent of the power consumed in the country at a given time. The danger to a grid in which a single unit supplies such a preponderance of the power arises from the likelihood that at times the unit will have to be shut down suddenly. In a large power grid the loss of a single unit—even a large unit—is bothersome but tolerable: other units are run at a higher output or idle units are brought on line to offset the loss. The Cuban power grid, however, does not have the capability to quickly offset the sudden loss of power from a Cienfuegos-size unit. Even though Cuba has a handful of power plants with capacities of over 100 Mw, most are composed of many small units. For example, Cuba's largest power plant at Mariel, with a capacity of 600 Mw, actually has eight units—four of 100-Mw capacity and four of

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50 Mw. The remainder of Cuba's electric power capacity consists of tens of power plants of 1 to 10 Mw colocated with industrial plants or sugar refineries. In the event of a power loss from a unit at Cienfuegos, many of these smaller units would have to be fired up simultaneously to avert a blackout—a virtual impossibility. Other countries with small power grids have embarked or are now embarking on nuclear power programs, but Cuba's grid is the smallest, and Cuba's problems in accommodating a nuclear power plant—from a technical standpoint alone—are the most acute. [redacted]

One solution to the problem of grid stability that the Cubans have most likely considered is to run the nuclear power plant at significantly less than full capacity—that is, to run each unit at an output commensurate with the ability of the grid to accommodate it. Even so, the Cubans still face problems in learning how to operate the plant at any power level. [redacted]

[redacted]

[redacted] the Cubans have nevertheless decided to push ahead with Cienfuegos, both because of the large investment it already represents and because of the propaganda value the Cubans attach to it. [redacted]
[redacted]
[redacted] Ironically, Cuba's desire for international recognition is satisfied perhaps to a greater degree while the plant is being built; if it fails to work properly once completed, the country's recognition could turn to humiliation. [redacted]

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**The Caribbean: Growing
North and South Korean
Competition**

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Prolonged economic difficulties in the Caribbean area are providing North and South Korea with fresh opportunities for expanding their regional influence. In recent months Seoul has established a diplomatic presence in three Caribbean islands, bringing its official representation in the area to a total of 14 countries. P'yongyang, while achieving some gains, has been hurt by the conservative political trend in the Caribbean following the downfall of the Bishop regime in Grenada in October 1983. As a result, North Korea has been able to gain diplomatic ties in only six countries, two of which refuse to accredit a North Korean ambassador. We believe that the poor economic outlook in many islands—particularly Dominica, Jamaica, and Trinidad and Tobago—will fuel the attempts of both Koreas to secure a more prominent role in the region over the next few years.

Longstanding Rivalry

North Korea's rivalry with the South for diplomatic recognition is not new, but in the past two years P'yongyang has escalated its activity. The renewed effort is designed to reverse North Korea's decline in international standing, due largely to its role in the 1983 Rangoon bombing and Seoul's sponsorship of the 1986 Asian Games and 1988 Olympics. Using its embassy in Havana as a base of operations, North Korea has succeeded in recent years in establishing a large mission in Guyana and a diplomatic presence in Jamaica. Dominica and St. Vincent have extended diplomatic recognition, but both have turned aside P'yongyang's persistent efforts to set up permanent residences.

P'yongyang's difficulties can be traced largely to South Korea's skill in spreading the word about North Korea's reputation as a pariah state that foments insurrection and subversion. Although this has become somewhat dated as North Korea has attempted to improve its international reputation, the image nevertheless strikes a responsive note with many Caribbean leaders concerned about meddling by external powers.

Table 1
Caribbean: North and South Korean
Diplomatic Relations, December 1985

	North Korea	South Korea
Antigua		X
The Bahamas		X
Barbados	X	X
Dominica	X ^a	X
Dominican Republic		X
Grenada		X
Guyana	X	X ^a
Haiti		X
Jamaica	X	X
St. Christopher and Nevis		X
St. Lucia	X	X
St. Vincent	X ^a	X
Suriname		X
Trinidad and Tobago		X

^a Official recognition only, no exchange of ambassadors.

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Methods of Operation

Seoul and P'yongyang use a variety of tactics to promote their respective interests in the Caribbean. The South Korean approach consists mainly of providing economic assistance geared toward promoting the establishment of South Korean private firms in individual countries. More financially solvent than its Communist rival, Seoul uses its economic advantage to promise aid or increased trade, or to threaten to withhold assistance. South Korea has an established record in the Caribbean of being more generous on the terms of its assistance than in the overall value of such aid. Seoul, for example, has provided grants in the form of disaster relief to Dominica, police cars and a firetruck to Grenada, and

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Table 2
Caribbean: South Korean
Economic Relations, 1980-Present

Dominica	Provided \$20,000 for disaster relief in 1984.
Dominican Republic	Economic mission visited in May 1985. Expressed interest in increasing manufacturing capacities of Free Trade Zones; six South Korean private companies presently in operation.
Grenada	Provided police cars and a firetruck to government in 1984. In 1985, delivered \$100,000 in budgetary assistance, dump trucks, and motorcycles, and offered to build a government office complex.
Guyana	Approached Guyanese officials in November 1985 to discuss establishment of trade relations.
Haiti	In 1980, sold 50 buses to Duvalier government on concessional terms. Donated 20 police cars to the armed forces in 1983.
Jamaica	As of mid-1984, an unspecified line of credit remained open. Two South Korean private companies presently in operation.
St. Vincent	Donated four trucks to the sugar industry in 1984.
Suriname	Signed a technical and economic cooperative agreement in 1981. Presently negotiating a line of credit reportedly worth \$35 million.
Trinidad and Tobago	Agreed to establish a trade mission and signed a technical and economic cooperation agreement in July 1985.

[redacted]

heavy-duty trucks for St. Vincent's sugar industry. South Korea also has provided concessional lines of credit and entered into several technical and economic cooperation agreements. Moreover, South Korean economic teams frequently visit the region to promote increased ties to the area's labor-intensive manufacturing sector. [redacted]

For its part, North Korea has relied more heavily on trying to make inroads by attempting to promote government-to-government relations, but this approach has produced few tangible political gains even with the region's two left-leaning regimes. In Guyana, P'yongyang has provided large shipments of artillery and associated training, as well as assistance on various economic development projects. North Korea promised Suriname military assistance in return for an exchange of ambassadors in late 1982, [redacted]

P'yongyang also has tried to expand its influence in the region through contacts with opposition leftists. [redacted]

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The Caribbean Perspective
In the aftermath of the US-led intervention in Grenada, Caribbean leaders have become particularly wary of North Korean offers of good will. The death of Grenada's Maurice Bishop at the hands of pro-Soviet radicals in his inner circle heightened public perceptions of the left as a destabilizing force and helped to fuel a sharp swing to the right, especially in the English-speaking islands. This shift has been most evident in Dominica and St. Vincent. Moreover, some of the documents captured during the intervention revealed that North Korea had covertly supplied a significant amount of weapons and other military items to the Bishop regime. [redacted]

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Overtures of assistance from South Korea in any form have been widely accepted by Caribbean governments, largely because of the size of Seoul's industrial capabilities and orientation toward light manufacturing and assembly industries that are needed to reduce the high rates of unemployment—exceeding 30 percent—in many of the ministates. As a result, the Caribbean countries are likely to continue to welcome Seoul's aid packages because of their ability to generate economic growth. [redacted]

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Implications for the United States
We expect the region's generally moderate leaders to continue to shun P'yongyang in favor of closer political and economic association with Seoul. The efforts of area leaders to revitalize economic conditions through labor-intensive operations will mesh especially well with South Korea's aggressive use of economic links to increase its influence. Seoul also will try to take advantage of the Caribbean Basin Initiative (CBI) and other bilateral and multilateral

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Table 3
Caribbean: North Korean Economic and
Political/Military Relations, 1980-Present

Economic		Political/Military
Dominican Republic		Dominican Communist Party maintains official contact with North Korean Embassy in Nicaragua. In early 1985, members of Socialist Bloc may have received military training in North Korea.
Guyana		Burnham government received large shipments of artillery pieces in 1983. North Korean advisory teams began arriving in early 1984 to instruct Guyanese personnel to use the weapons. Several members of Guyana Defense Force reportedly are in North Korea for artillery courses.
Jamaica		North Korea has maintained extensive contacts with People's National Party officials since 1975. Party members reportedly received on-island paramilitary training in 1982. Workers' Party of Jamaica leaders meet frequently with North Korean representatives to plan strategy.
St. Lucia		Members of opposition Progressive Labor Party are scheduled to receive unspecified training in North Korea prior to 1987 national elections.
Suriname		P'yongyang agreed in October 1982 to provide arms and munitions sufficient to supply a battalion.
Trinidad and Tobago		In May 1985, North Korea offered to sell food-stuffs in exchange for a wide variety of Trinidadian goods. A trade delegation visited Port-of-Spain in October 1985 to discuss bilateral cooperation.

trade laws to increase its exports to the United States. Recent changes in US "Origin of Product" regulations governing textiles—currently not afforded CBI coverage—and the extension of Generalized System of Preference benefits until mid-1993, however, have dampened the enthusiasm of some potential investors.¹ We believe P'yongyang will

continue to focus its support on regional leftists and attempt to undermine any South Korean gains. In the unlikely event that relations improve significantly with the regimes in Guyana and Suriname, North Korea would be in a position to bolster its image elsewhere in the Caribbean.

¹ Until late 1984, some large exporters, mainly Asian, circumvented their quotas under the international Multifiber Arrangement by shipping partially finished goods to the Caribbean and elsewhere for completion and reexport to the United States. These goods entered quota free or were counted against the second country's quota, if applicable under current regulations. US imports must be counted under the first exporter's quota unless the value added in the second country caused "substantial transformation."

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Latin America Briefs

Honduras

Armed Forces Rotations []

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Traditional yearend military reassignments scheduled to take effect in late January appear to be aggravating factional tensions. The US Embassy [] 25X1
[] in Tegucigalpa report that the moves reflect the consolidation of power by 25X1
Col. Leonel Riera, who is First Infantry Battalion chief and in line to become chief of the army, and other officers from the military academy's "Fifth Promotion" class. Riera, for example, succeeded in transferring Lt. Col. Mario Amaya, a Sixth Promotion officer whose growing power the US Embassy says worried the Fifth Promotion, from the command of the elite Special Forces Battalion to a battalion command in a remote part of the country. The Special Forces, which Amaya is credited with making one of the country's best fighting units, is being split among two more junior officers, rather than being given to another Sixth Promotion member. This move, in our judgment, is likely to contribute to the longstanding suspicions by leading members of the Sixth class that the Fifth is intent on denying them their share of key commands. [] 25X1

Despite this friction, junior officers unhappy with the reshuffle do not appear likely to spur coup plotting at this time. [] 25X1
[] Amaya has been unable to gain much support among his Sixth 25X1
Promotion colleagues to ask the Superior Defense Council to reconsider the assignments. The officers probably feel that the several commands they retained in the reshuffle give them enough leverage to defend their interests. We believe, moreover, that the Sixth is waiting to see how power within the Armed Forces is distributed after the departure of Chief of Joint Staff Gonzalez, who, [] 25X1
[] may become Minister of Defense in the new 25X1
administration scheduled to take office on 27 January. Other members of the high command are slated to step down next December. [] 25X1

Argentina

New Gains for the Left []

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The leftist Intransigent Party finished a distant third in congressional elections in November, but doubled its seats in the Chamber of Deputies to six and captured 6 percent of the popular vote—up from 2.3 percent in the previous congressional contests in 1983. According to the press, the party's advocacy of debt repudiation and autarchic economic policies, trials of military officers for human rights abuses, and a nationalistic Third World-oriented foreign policy appealed to leftists disenchanted with the traditional Peronist and Radical parties but suspicious of the foreign ties of the Communist and Socialist parties. Moreover, the party enhanced its image and laid the groundwork for future gains by staging an extensive grassroots campaign aimed at young university-educated voters. [] 25X1

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The Intransigent Party, in our view, will continue to dominate the Argentine left in the near term. It is a native-born party, [] The relatively moderate image projected by Alende, the 76-year-old party founder and former governor of Buenos Aires Province, has attracted many supporters seeking a democratic leftist alternative. We believe, however, that the party faces an uphill battle in its quest to challenge Argentina's traditional two-party structure. It still lacks key support from labor unions and has been unable to extend its following beyond the middle and upper classes of greater Buenos Aires. Moreover, the death or resignation of Alende would probably unleash a leadership struggle between moderates and radicals that could threaten the party's fragile unity. []

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Peru

Nationalistic Foreign Investment Policy Moves []

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President Garcia's decision to take over a US oil firm as an apparent first step in implementing his nationalistic foreign investment policies will further sour already shaky relations with Washington and is likely to discourage new foreign investment. On 27 December Garcia announced the takeover of an offshore US oil company that had failed to accept Lima's requirements for additional exploration, profit sharing, and new tax arrangements prior to the deadline of the previous day. He said the Peruvian Supreme Court would determine the firm's compensation. He also indicated another US oil company and a US-Argentine consortium would be allowed to stay in Peru, contingent on approval of some final agreements. In a press conference on 29 December, Garcia said he intended to review the profit-sharing practices of a US copper firm and large local companies. []

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We concur with the US Embassy that the takeover of the oil firm would appear to be a victory for the government in terms of domestic public opinion. Garcia forced the largest foreign oil firm to make significant new investment in the country and pay back taxes; reduced the price per barrel of oil received by the foreign firm; and saved face with leftist and rightist politicians, who were maintaining that he could not possibly gain a better deal than Peru had in 1980. The Embassy reports that, while opposition political parties—particularly the left—generally support the takeover, they have said they will scrutinize the new petroleum contracts as well as the compensation offered to the US oil firm. We believe this issue is likely to be subject to intense political debate, particularly after 7 April, when the next congressional session opens. []

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The nationalization of the oil company is likely to remain a sticking point in US-Peruvian relations. It probably will also complicate negotiations with the two remaining US oil companies over issues such as the amount of reinvestment and payment for revoked tax credits they will be required to make. Garcia will probably try to make the seized US oil firm a scapegoat. He has already begun to stress that the breakdown in negotiations was for economic rather than political reasons by defining his action as a takeover, not an expropriation. Moreover, the US copper concession—which produces three-fourths of Peru's copper annually and survived nationalization attempts in 1974—is also vulnerable because its contract is up for renegotiation soon. []

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